

## PTC India Financial Services Limited

January 23, 2017

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Non-Convertible Debenture issue	300.00 (Rupees Three Hundred Crore Only)	CARE A+; Stable (Single A Plus; Outlook: Stable)	Reaffirmed

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale

The rating for NCDs of PTC India Financial Services Limited (PFS) continues to factor in the parentage support from PTC India Limited (PTC), experienced management and comfortable capital adequacy. The rating also factors in the company's diversified funding profile, maturing loan book with increased proportion of projects in renewable energy sector, adequate profitability and moderate liquidity position. The rating, however, is constrained due to PFS's moderation in asset quality with slippages in assets, concentration of its loan portfolio in terms of sector and borrowers and the current challenging environment in the power sector.

Going forward, the continued support and ownership of the promoter PTC, the ability of PFS to manage the asset quality in a rapidly growing loan book, favourable capital adequacy and profitability would be the key rating sensitivities.

### Detailed description of the key rating drivers

Capital Adequacy Ratio (CAR) of PFS continues to be comfortable at 21.77% as on March 31, 2016 as against regulatory requirement of 15%. The CAR as on September 30, 2016 stood at 23.11%. Furthermore, in November 2016, the promoting entity (PTC) has infused equity amounting to Rs.308.77 crore in PFS. The same is expected to further improve the capital adequacy position of the company.

PFS has a well-diversified resource profile since it can mobilize funds at cost effective rates (being an infrastructure finance company) from various sources. As on March 31, 2016, total borrowings of PFS was Rs.6,845 crore which included 64% from rupee term loans, 21% from Short-term loans, 7% from NCDs, 6% from ECBs and 3% from long-term infrastructure bonds.

Further, PFS's liquidity profile remains comfortable with no negative cumulative mismatches as per the Short term dynamic liquidity statement as on September 30, 2016.

The loan book of the company has consistently increased and stood at Rs. 8,634 crore as on March 31, 2016 and Rs.9,418 crore as on September 30, 2016. The composition of renewable projects in loan book has increased over the years with proportion of outstanding loan book towards renewable energy projects increasing to 46% as on September 30, 2016 compared to 39% as on March 31, 2015.

During FY16, the company reported slippage in two accounts, thereby increasing the Gross NPA and Net NPA ratio to 3.40% and 2.35% respectively as on March 31, 2016 (1.28% and 1.00% as on Mar 31, 2015). Despite deterioration in asset quality, the profitability of the company continues to be healthy on account of the excess provisioning created by the company over the past years.

PFS exposure is majorly in power sector leading to sector concentration. However, the lending is well diversified within the power sector. Further, PFS faces high borrower concentration risk. Though the concentration of loan book to top 15 exposures has reduced y-o-y, it continues to form a substantial proportion of loan book and net-worth.

**Analytical approach:** Standalone

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

## Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology for Non-Banking Financial Companies](#)

[Financial Ratios \(Financial Sector\)](#)

## About the Company

PFS is an Infrastructure Finance Company (IFC), promoted by PTC, with the mandate to provide financing solutions to companies with projects across the entire chain in power sector. PFS was incorporated on September 8, 2006 and was classified as an Infrastructure Finance Company (IFC) with effect from August 23, 2010. The company currently provides financing through equity and debt (short-term and long-term) to the private sector power projects in India. The company also provides fee-based syndication and advisory services as well as carbon credit financing against certified emissions reduction (CER). In November, 2016, PTC infused equity share capital of Rs.308.77 crore in PFS, thereby increasing its stake to 65% (60% as on Sep 30, 2016).

During FY16 (refers to the period April 1 to March 31), PFS has reported a PAT of Rs.391 crore on a total income of Rs.1,187 crore as against a PAT of Rs.161 crore on a total income of Rs.802 crore in FY15. Capital adequacy ratio (CAR) as on March 31, 2016 stood at 21.77%. During H1FY17 (refers to the period April 1 to September 30), the company has reported a PAT of Rs.273 crore on a total income of Rs.669 crore.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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## About CARE Ratings:

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the

partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Debentures-Non Convertible Debentures-I	March 30, 2012	8.93%	March 30, 2020	38.194	CARE A+; Stable
Debentures-Non Convertible Debentures-II	March 30, 2012	8.93%	March 30, 2020	110.399	CARE A+; Stable
Debentures-Non Convertible Debentures-III	March 30, 2012	9.15%	March 30, 2027	2.6125	CARE A+; Stable
Debentures-Non Convertible Debentures-IV	March 30, 2012	9.15%	March 30, 2027	8.3995	CARE A+; Stable
Debentures-Non Convertible Debentures- Proposed	-	-	-	140.40	CARE A+; Stable

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Debentures-Non Convertible Debentures	LT	300.00	CARE A+; Stable	-	1)CARE A+ (06-Nov-15)	1)CARE A+ (28-Oct-14) 2)CARE A+ (18-Apr-14)	-

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